

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

FILED

2010 FEB 26 P 3: 31

PUBLIC UTILITIES
COMMISSION

In the Matter of the Application)
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 of)
)
 MOLOKAI PUBLIC UTILITIES, INC.) Docket No. 2009-0048
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)
 For review and approval of rate)
 increases; revised rate schedules; and)
 revised rules.)
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**MOLOKAI PUBLIC UTILITIES, INC.'S SUPPLEMENTAL RESPONSE
TO THE DIVISION OF CONSUMER ADVOCACY'S
SUBMISSION OF REBUTTAL INFORMATION REQUESTS
(CA-RIR-6c.1)**

and

CERTIFICATE OF SERVICE

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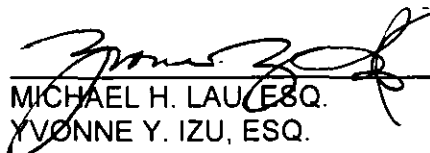
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COMES NOW, MOLOKAI PUBLIC UTILITIES, INC., by and through its attorneys,
Moriwara Lau & Fong LLP, hereby submits its Supplemental Response to the Division of
Consumer Advocacy's Submission of Rebuttal Information Requests (CA-RIR-6c.1) consistent
with the Stipulated Regulatory Schedule (Exhibit "A") approved in the Order Approving
Proposed Procedural Order, as Modified, filed on November 6, 2009.

DATED: Honolulu, Hawaii, February 26, 2010.



MICHAEL H. LAU, ESQ.
YVONNE Y. IZU, ESQ.

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Attorneys for MOLOKAI PUBLIC UTILITIES, INC.

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CA-RIR-6

Ref: MPU-RT-100, page 33.

The Company acknowledges that the Consumer Advocate contends that certain portions of plant might be excess capacity, but indicates that there is no assertion that the plant is not used or useful in providing service to customers.

- a. Please discuss whether it is the Company's understanding that the Commission's standard is whether plant is "used and useful" or "used or useful." Please provide any authoritative citations.

RESPONSE:

The Company does not understand the relevancy of the Consumer Advocate's question. However, without waiving any objection thereto, the Company notes that under HRS § 269-16(b)(3), the statute utilizes the phrase "property actually **used or useful** for public utility purposes" (*emphasis added*).

- b. Is it the Company's assertion that all of the plant currently existing is necessary to serve the currently existing customer base?

RESPONSE:

No, that is not the Company's assertion. In any water or sewer utility operation, engineering, fire flow, and operational reasons require the utility to have sufficient reserves beyond

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CA-RIR-6 (cont.)

what is required to serve the "currently existing customer base".

1. If so, please confirm that there is no additional capacity in the existing plant to serve any future incremental or additional demand. Please provide a copy of the report or analysis that supports the Company's response.

RESPONSE:

Not applicable, see responses to part "a" and "b" above.

2. If the Company is asserting that there is no additional available capacity, please discuss how the Company plans to serve any future additional load.

RESPONSE:

No, that is not the Company's assertion.

- c. If it is the Company's assertion that there is capacity that could be used to serve future loads, but, rather than recovering the costs for that capacity from those future customers, the Company is recommending that the existing customers should be required to pay for capacity unrelated to their demands, please provide any authoritative citations

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that explicitly supports the conclusion that such an expectation is reasonable.

RESPONSE:

No, that is not the Company's assertion.

1. If the Company acknowledges that there is existing capacity that was used to previously serve customer demand but is now available, please identify that existing capacity and provide a copy of any analysis or study that supports the Company's response.

**SUPPLEMENTAL
RESPONSE:**

The Company acknowledges that there is existing capacity that was required to provide service to customers for a number of years that are not customers at this time. The Company has made no calculations of the capacity that was required to serve those customers. However, because of the lateness of this request and the Company's desire to focus on the remaining items set forth in the Stipulated Regulatory Schedule (Exhibit A) attached to the Order Approving Proposed Procedural Order, As Amended, issued by the Commission on November 6, 2009, to the extent that the Company is able to research the

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matter and prepare the calculations, a further response will be provided no later than March 8, 2010.

2. If not already provided, please provide the following:

(a) Total plant capacity, both peak and average.

If this information is available by major plant function, such detail would be preferable.

RESPONSE:

The design capacity for the plant is 1.5 million gallons per day. Unlike wastewater treatment plants which are designed for peak and average day flows, there is no comparable equivalent for the water treatment system since the Company has the 400,000 gallon "clean water" storage reservoir.

(b) Recorded monthly peak usage for each of the past three years. If this information is available by major plant function, such detail would be preferable.

RESPONSE:

The Company is presently researching this matter to determine whether such records are

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available and will provide a response no later than Monday, March 1, 2010.

- (c) Recorded monthly peak and average usage by customer class and meter size for each of the past three years.

RESPONSE:

This requested information is not available since the Company's recordkeeping does not include peak and average usage by customer class and meter size.

- (d) Industry standard values for the expected average and peak usage per type of customer in the Company's service territory.

RESPONSE:

The Company does not have the requested industry standard values and therefore cannot provide them in response to this information request.

- d. Please confirm that requiring the existing customer base to pay for all fixed and variable costs will result in a higher utility rate for the remaining customers as compared to the costs that are attributable to those customers. If the Company

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disagrees, please provide a copy of the analysis or study that supports the Company's position.

RESPONSE:

The Company agrees that the remaining customers will have higher utility bills because the plant that was required to serve the customers, some of whom are no longer users, will be recovered from fewer customers and over smaller usage amounts. The Company also believes that not recovering the total costs to serve for plant that was required to provide service will severely penalize the Company for results that it *did not cause and would deny the Company an opportunity to recover its costs incurred to provide utility service.*

- e. If the Company agrees that utility rates designed to recover fully embedded costs from the remaining customer base will be higher because the remaining customers are being burdened with all fixed and variable costs, even those not attributable to capacity required by the existing customer base, does the Company also agree that the higher rates might cause one or more of the following:
 - 1. Customers leave the system due to excessive utility rates;

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CA-RIR-6 (cont.)

RESPONSE: That is always a possibility. However, since a customer has few viable alternatives (purchasing bottled water, installing catchment system, etc.), the customer would likely move from the service territory before actually disconnecting service from the Company.

2. Greater levels of uncollectible expense or bad debts on a short and/or long term basis; or

RESPONSE: That is a possibility

3. Customers will be required to modify their lifestyles to allocate a greater portion of their monthly income towards water utility bills.

RESPONSE: That is a possibility

- f. Assuming that the Company agrees with any of the three possible conditions that might occur, please describe what, if any, solutions the Company would propose to mitigate the adverse impacts on its customers.

RESPONSE: There are no good solutions, based on the form of the questions. The major alternative which would not penalize the Company further, would be for the government agencies

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to come to the aid of its residents and taxpayers to provide assistance which could be in the form of funds for paying the utility bills .other subsidies to the utility to reduce the costs that need to recovered from customers. For example, the utility could be exempted from the revenue taxes and other fees during this period. There are probably additional solutions such as customers forming a cooperative and operating the utility. While this would require the utility to be compensated for its investment, the cooperative should be able to obtain governmental support for that activity and set its own service conditions, subject to the Commission regulations and local, state and Federal laws.

SPONSOR: Robert O'Brien

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

MR. DEAN NISHINA Executive Director Department of Commerce and Consumer Affairs Division of Consumer Advocacy 335 Merchant Street, Suite 326 Honolulu, Hawaii 96813	3 copies Hand Deliver
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MARGERY S. BRONSTER, ESQ. JEANNETTE H. CASTAGNETTI, ESQ. Bronster Hoshibata 2300 Pauahi Tower 1003 Bishop Street Honolulu, HI 96813	1 copy Hand Deliver
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Attorneys for the COUNTY OF MAUI

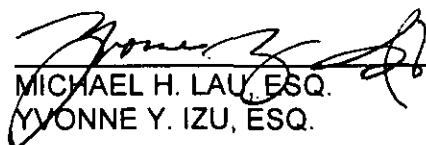
WILLIAM W. MILKS, ESQ. Law Offices of William W. Milks ASB Tower, Suite 977 1001 Bishop Street Honolulu, HI 96813	1 copy Hand Deliver
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Attorney for WEST MOLOKAI ASSOCIATION

ANDREW V. BEAMAN, ESQ. Chun Kerr Dodd Beaman & Wong, LLLP Topa Financial Center, Fort Street Tower 745 Fort Street, 9 th Floor Honolulu, HI 96813	1 copy Hand Deliver
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Attorney for MOLOKAI PROPERTIES LIMITED

DATED: Honolulu, Hawai'i, February 26, 2010.



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YVONNE Y. IZU, ESQ.

Moriwara Lau & Fong LLP
Attorneys for MOLOKAI PUBLIC UTILITIES, INC.